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Supreme Court, U.S.
FILED

08-259 AUG 26 2008

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No. 08-_____

IN THE

Supreme Court of the United States

TRANSLOGIC TECHNOLOGY, INC.,

Petitioner,

v.

HITACHI, LTD., HITACHI AMERICA, LTD., AND RENESAS TECHNOLOGY AMERICA, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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AUGUST 2008

QUESTIONS PRESENTED

1. Whether the Federal Circuit violated the Seventh Amendment by vacating jury verdicts awarding damages in a patent infringement case based upon deference to an administrative reexamination of the patent.

2. Whether the Federal Circuit incorrectly interpreted the Reexamination Statute of the Patent Act, 35 U.S.C. § 307, to make cancellation of a patent retroactive to the date of issuance.

3. Whether the Federal Circuit improperly vacated jury verdicts based upon a contrary decision of the Board of Patent Appeals and Interferences under review in *Translogic Technology, Inc.* v. *Dudas*, No. 07-1303, where one of the three administrative judges in *Dudas* was appointed in violation of the Appointments Clause of the Constitution, art. II, § 2, cl. 2.

PARTIES TO THE PROCEEDING AND RULE 29.6 DISCLOSURE

Translogic Technology, Inc. ("Petitioner") has no parent company. No publicly held company owns 10 percent or more of Translogic's stock.

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PETITION FOR A WRIT OF CERTIORARI

OPINION BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit (Pet. App. 1a-5a) is not reported. The judgment of the U.S. District Court for the District of Oregon (Pet. App. 36a-39a) is not reported. The Federal Circuit's denial of rehearing (Pet. App. 266a-68a) is not reported. A related opinion of the Federal Circuit (Pet. App. 133a-60a) reviewing a decision of the Board of Patent Appeals and Interferences ("Board") is reported at 504 F.3d 1249. The decision of the Board (Pet. App. 182a-265a) and the Board's decision on rehearing (Pet. App. 161a-81a) are not reported.

JURISDICTION

The decision of the Federal Circuit setting aside the district court's judgment (Pet. App. 36a-39a) and the jury verdicts supporting that judgment (Pet. App. 40a-41a, 126a-29a) was entered on October 12, 2007. (Pet. App. 1a-5a.) A timely petition for rehearing and rehearing *en banc* was denied on May 29, 2008. (Pet. App. 266a-68a.) This Court's jurisdiction rests on 28 U.S.C. § 1254(1). The Federal Circuit had jurisdiction pursuant to 28 U.S.C. § 1295. The district court had jurisdiction pursuant to 28 U.S.C. § 1338(a).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Constitution, art. II, § 2, cl. 2, provides:

> [The President] by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

The Seventh Amendment to the Constitution provides:

> In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

Section 307(a), of Title 35, United States Code, provides:

> In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to

> be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

STATEMENT OF THE CASE

This case is a companion to *Translogic Technology, Inc.* v. *Dudas*, No. 07-1303 (the "Reexamination Case"). In *Dudas*, Petitioner challenges whether U.S. Patent No. 5,162,666 (the '666 patent) was improperly reexamined and found invalid by a panel of three administrative patent judges, one of whom was not appointed in accordance with the Appointments Clause of the Constitution. In this case, the Federal Circuit applied the reexamination decision of the Board of Patent Appeals and Interferences ("Board") of the Patent and Trademark Office ("PTO") to overturn jury verdicts upholding the validity of the '666 patent, finding infringement, and awarding damages of $86.5 million to Petitioner. The Federal Circuit's decision gave no weight to these verdicts, but instead turned entirely upon its deferential review of the Board's order in the Reexamination Case.

Because the Reexamination Case is before this Court on a petition for certiorari, the Court should, at a minimum, hold this case until it determines whether to grant that petition. If Petitioner prevails in the Reexamination Case, the Court should grant the writ in this case, vacate the Federal Circuit's decision, and remand for further proceedings.

In addition, this case presents compelling reasons for review in its own right. Before or after a

lawsuit begins, patent infringement defendants increasingly ask the PTO to initiate a statutory process to "reexamine" the validity of a patent.[1] As of September 30, 2007, more than 400 patent infringement cases, like this one, have become the subject of statutory reexamination proceedings before the PTO.[2] In some cases, courts stay patent infringement proceedings pending the outcome of reexamination. *See, e.g., eSoft, Inc.* v. *Blue Coat Sys., Inc.*, 505 F. Supp. 2d 784, 787 (D. Colo. 2007) (collecting citations). In other cases, the litigation is not stayed.[3] This case presents the issue of whether a jury verdict and judgment for the patentee should stand when a reexamination later declares a patent invalid.

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[1] *See* 35 U.S.C. § 302 (describing the "*ex parte* reexamination" process used in the Reexamination Case); *id.* § 311 (describing a newer "*inter partes* reexamination" process).

[2] U.S. Patent & Trademark Office, *Performance and Accountability Report Fiscal Year 2007* tbls.13A, 13B, *available at* http://www.uspto.gov/web/offices/com/annual/2007/50300_workloadtables.html.

[3] *See Network Appliance Inc.* v. *Sun Microsystems Inc.*, 2008 WL 2168917, at *3 (N.D. Cal. May 23, 2008) ("[T]here appears to be a growing concern among at least some judges in this district that, on balance, staying a case even in its early stages pending reexamination has not led to the just, speedy, and efficient management of the litigation, but instead has tended to prolong it without achieving sufficient benefits in simplification to justify the delay. This concern stems in part from the unpredictable but often lengthy duration of the stay due to the length of PTO reexamination proceedings . . . .").

A. District Court Proceedings.

On March 24, 1999, Petitioner filed suit against Respondents ("Hitachi"), seeking to redress Hitachi's infringement of the '666 patent. During the district court proceedings, Hitachi filed no fewer than four reexamination requests with the PTO over a three-year period. (*See* Pet. App. 136a.) Initially, the district court stayed the judicial proceedings in view of the pending reexamination. (*Id.* at 27a.) But after Hitachi filed additional reexamination requests, the district court concluded in December 2002 that "the reexamination proceedings appeared likely to continue for years." (*Id.*) With no end in sight, the district court "determined that plaintiff deserved its day in court, despite the possibility that the reexamination proceedings might some day produce rulings that were inconsistent with th[e] court's rulings." (*Id.*)

The district court empanelled a jury for a validity trial on October 21, 2003. Hitachi advanced two principal arguments that the asserted claims of the '666 patent were invalid: (1) the patent was anticipated, *see* 35 U.S.C. § 102, by five specific prior art references, referred to in the district court as "Oklobdzija," "JP '531," "JP '529," "JP '219" and "Gorai" (*see* Pet. App. 110a, 126a-28a); and (2) the patent was obvious, *see* 35 U.S.C. § 103(a), in view of various combinations of those same prior art references (*see* Pet. App. 114a-16a, 128a-29a).

On October 27, 2003, the jury returned a verdict in Petitioner's favor, rejecting Hitachi's invalidity arguments. (*Id.* at 126a-29a.) The jury specifically determined that Hitachi's five prior art references did not anticipate the '666 patent, and

that combinations of those references did not render the patent obvious. (*See id.*)

On February 22, 2005, the district court granted summary judgment to Petitioner on infringement. (*Id.* at 42a-47a.) The district court then empanelled a second jury on May 3, 2005 to consider whether Respondent Hitachi, Ltd. induced the infringement of others and damages. (*Id.* at 40a-41a.) The second jury found induced infringement and awarded Petitioner $ 86.5 million in damages on May 6, 2005. (*Id.*) The district court issued a permanent injunction on May 12, 2005. (*See id.* at 4a, 38a, 185a).

B. The Reexamination Case.

The Seventh Amendment issue in this case is the result of the strategy that Hitachi, like many patent infringement defendants, employed at the PTO during the district court proceedings. While Hitachi pressed one set of arguments in the district court, it raised a plethora of other arguments before the PTO, adding new arguments in each of its successive reexamination requests when its prior arguments proved unsuccessful. Eventually, two arguments succeeded with the PTO Board in July 2005—almost two years after the jury's validity verdict: (1) the '666 patent was obvious in light of the Gorai prior art reference when combined with a different prior art reference that Hitachi never raised before the jury, "Weste" (*see* Pet. App. 136a, 144a-46a, 160a); and (2) the patent was obvious in light of another prior art reference, "Tosser," which Hitachi affirmatively abandoned at trial, when combined with the same Weste reference (*see id.*).

C. Post-Verdict and Appellate Proceedings.

In the district court proceedings in this case, Hitachi never made the arguments that the PTO accepted. Indeed, Hitachi never even asked for the jury instructions to address Weste or for the jury to make a finding based upon Weste. (Pet. App. 126a-29a.) After reviewing the first opinion issued by the Board in the Reexamination Case in July 2005, Hitachi filed a motion for a new trial (not judgment as a matter of law ("JMOL")) making an anticipation argument, and later filed a reconsideration motion. Hitachi never raised the obviousness argument predicated upon Gorai and Weste that the Board ultimately accepted, nor did Hitachi move for JMOL on that ground.

In appealing the jury verdicts to the Federal Circuit, Hitachi argued that the district court erred in denying its JMOL motion predicated upon its anticipation and obviousness arguments regarding the five prior art references it introduced into the district court proceedings. Hitachi further argued that Tosser rendered the '666 patent invalid, although it neither relied upon Tosser at trial nor moved for JMOL based upon Tosser. Just as in the district court, Hitachi's appellate brief made no mention of Weste—the reference upon which the Board's decision turned. (*See id.* at 136a, 144a-46a, 160a.)

D. The Federal Circuit's Decisions.

When the Reexamination Case reached the Federal Circuit, that court employed a substantial evidence standard, which required it to "'not find the

Board's decision unsupported by substantial evidence simply because the Board chose one conclusion over another plausible alternative.'" (Pet. App. 147a (quoting *In re Jolley*, 308 F.3d 1317, 1320 (Fed. Cir. 2002))). Applying this deferential standard of review, the Federal Circuit affirmed the Board's determination that the '666 patent was obvious in light of the combination of the Gorai and Weste references. (*Id.* at 160a.)

On the same day that the Federal Circuit decided the Reexamination Case, it issued an unpublished decision in this case. (*Id.* at 1a-5a.) The Federal Circuit did not employ the longstanding JMOL standard for reviewing preserved arguments of alleged error. *See Unitherm Food Sys., Inc.* v. *Swift-Eckrich, Inc.*, 546 U.S. 394, 402-06 (2006). Instead, the Federal Circuit simply set aside the two jury verdicts in this case. The Federal Circuit's entire explanation for its decision was the following:

> In light of this court's decision in [the Reexamination Case], this court vacates the district court's decision and remands this case to the district court for dismissal.

(Pet. App. 4a.)

Petitioner moved for rehearing and rehearing *en banc*, arguing that the Federal Circuit's use of the Reexamination Case to set aside the jury verdicts in this case was, at a minimum, premature, as proceedings in the Reexamination Case remain incomplete in light of Petitioner's Appointments Clause challenge. Moreover, Petitioner argued that, by failing to review Hitachi's JMOL arguments for

preserved error, the Federal Circuit's decision violated the Seventh Amendment's dictate that "no fact tried by a jury[] shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law," U.S. CONST. amend. VII. Petitioner also argued that the Federal Circuit improperly gave the Reexamination Statute, 35 U.S.C. § 307, retroactive effect.

The rehearing petition remained pending before the Federal Circuit for seven months, and then was denied without comment. (Pet. App. 266a-68a.)

REASONS FOR GRANTING THE WRIT

I. The Federal Circuit's Use of an Administrative Reexamination Determination to Set Aside a Jury Verdict Violates the Seventh Amendment's Reexamination Clause.

The Federal Circuit's decision in this case violated the Seventh Amendment's requirement that "no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law." U.S. CONST. amend. VII. Without so much as a nod to "the rules of the common law," the Federal Circuit reexamined and vacated the findings of the jury "[i]n light of" the Reexamination Case in which it deferred to the Board's factual findings and conclusion that the patent-in-suit is invalid for obviousness predicated upon the combination of two specific prior art references, one of which was not placed in the list

of items the jury was to consider and rule upon (Pet. App. 126a-29a), and not made the subject of a JMOL motion.

A patent is invalid for obviousness if "'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co.* v. *Teleflex Inc.*, 127 S. Ct. 1727, 1734 (2007) (quoting 35 U.S.C. § 103). Similarly, a patent must be for a novel invention and thus is invalid if it is "anticipated" by prior art. *See* 35 U.S.C. § 102(a); *J.E.M. Ag Supply, Inc.* v. *Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 135 (2001).

Both the "obviousness" and "anticipation" inquiries involve substantial factual determinations. Obviousness "lends itself to several basic factual inquiries." *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966). For example,

> the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. . . . Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might [also] be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

KSR, 127 S. Ct. at 1734 (quoting *Graham*, 383 U.S. at 17-18) (quotation marks omitted); *see Demaco Corp.* v. *F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1391 (Fed. Cir. 1988) ("[E]vidence of secondary considerations may often be the most probative and cogent evidence in the record. It may often establish that an invention appearing to have been obvious in light of the prior art was not."). Anticipation "is a question of fact." *Medichem, S.A.* v. *Rolabo, S.L.*, 353 F.3d 928, 933 (Fed. Cir. 2003); *see Busch* v. *Jones*, 184 U.S. 598, 604 (1902) (same).[4]

There is "no dispute that infringement cases today," like this one, "must be tried to a jury, as their predecessors were more than two centuries ago." *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996). The Federal Circuit repeatedly has recognized that "[t]he right to a jury trial on issues of patent validity that may arise in a suit for patent infringement is protected by the Seventh Amendment." *Patlex Corp.* v. *Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985); *see In re Tech. Licensing Corp.*, 423 F.3d 1286, 1290 n.2 (Fed. Cir. 2005) (per curiam) (explaining that where patentees brought "actions at least in part for damages, the parties were entitled to a jury trial on the issue of patent validity, just as they would be today"); *In re Lockwood*, 50 F.3d 966, 976 & n.12 (Fed. Cir.) (*citing Root* v. *Railway Co.*, 105 U.S. 189, 191-92 (1881)),

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[4] The underlying factual dispute regarding obviousness and anticipation in this case is reflected in the district court's refusal to grant JMOL on obviousness and anticipation. (Pet. App. 107a-25a (denying JMOL); *id.* 126a-29a (jury verdict on obviousness and anticipation).)

vacated as moot sub nom. Am. Airlines, Inc. v. *Lockwood*, 515 U.S. 1182 (1995).[5]

The Federal Circuit looked beyond the record of this case and the issues on which Hitachi moved for judgment as a matter of law. Acting *sua sponte*, it set aside the jury verdicts in this civil action by applying the Board's determination—rendered years after the jury's validity verdict—to this case. (*Id.* at 4a.) Not only did the Federal Circuit allow jury verdicts to be reexamined other than through the JMOL standard authorized at common law, but the Federal Circuit deferred to the Board's administrative factual findings rather than the jury's factual findings. This is precisely what the Seventh Amendment prohibits.

A. The Jury's Factual Findings Were Vacated Without Any Common Law Justification.

The Seventh Amendment prohibits courts, including the Federal Circuit, from reexamining facts tried by a jury except "according to the rules of

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[5] This Court granted certiorari in *Lockwood* to decide whether there is a right to a jury trial on validity for an action brought under the Declaratory Judgment Act. 515 U.S. 1121 (1995). The Court did not decide that question because the petitioner in that case "withdrew his request for a jury trial." *In re Tech. Licensing Corp.*, 423 F.3d at 1288 n.1. The Federal Circuit has "continued to rely on the 'relevant and detailed analysis in *Lockwood*, which contains [the Federal Circuit's] most extensive discussion of the historical and legal framework for analyzing the jury trial right in connection with actions involving claims of patent infringement and invalidity." *Id.* (quoting *Tegal Corp.* v. *Tokyo Electron Am., Inc.*, 257 F.3d 1331, 1340 (Fed. Cir. 2001)).

the common law." U.S. CONST. amend. VII; *see Gasperini* v. *Ctr. for Humanities, Inc.*, 518 U.S. 415, 432 (1996) ("The Seventh Amendment . . . bears not only on the allocation of trial functions between judge and jury . . . ; it also controls the allocation of authority to review verdicts . . . ."). "[U]nder the pertinent rules of the common law [a] court of appeals . . . [cannot] itself determine the issues of fact and direct a judgment for the defendant, for this would cut off the plaintiff's unwaived right to have the issues of fact determined by a jury." *Unitherm*, 546 U.S. at 402 n.4 (quoting *Balt. & Carolina Line, Inc.* v. *Redman*, 295 U.S. 654, 658 (1935)). As this Court has explained:

> The only modes known to the common law to re-examine such facts, are the granting of a new trial by the court where the issue was tried, or to which the record was properly returnable; or the award of a venire facias de novo, by an appellate court, for some error of law which intervened in the proceedings.

Parsons v. *Bedford, Breedlove & Robeson*, 28 U.S. (3 Pet.) 433, 448 (1830); *see Slocum* v. *N.Y. Life Ins. Co.*, 228 U.S. 364, 397 (1913) ("[W]hen the issues have been so tried and a verdict rendered they cannot be re-examined otherwise than on a new trial granted by the court in which the first trial was had, or ordered by the appellate court for some error of law affecting the verdict.").

In the Reexamination Case, the Federal Circuit employed a deferential "substantial evidence" standard in reviewing the Board's factual findings (Pet. App. 147a), specifically noting that it would not

"find the Board's decision unsupported by substantial evidence simply because the Board chose one conclusion over another plausible alternative," *id.* (quoting *In re Jolley*, 308 F.3d 1317, 1320 (Fed. Cir. 2002)). Thus, the Federal Circuit in the Reexamination Case deferred to the Board on numerous underlying factual determinations, such as what constituted "relevant prior art" (*id.* at 148a), what the prior art "disclose[d]" (*id.* at 148a, 155a), whether a prior art reference was "within the scope of the relevant prior art" (*id.* at 155a), and what "a person of ordinary skill in the art would have" understood (*id.* at 155a-56a, 159a). The Federal Circuit then deferred to the Board's conclusion that the patent was obvious based on the combination of two prior art references, including one that was never before the jury nor even made the subject of appellate argument by Hitachi in this case. *See supra* pp. 6-7.[6]

In contrast, the jury found that the patent was not obvious and not anticipated. (Pet. App. 126a-29a.) Hitachi failed to move for judgment as a

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[6] In dictum, the Federal Circuit suggested that it might have agreed with the Board that Tosser, a prior art reference abandoned by Hitachi in this case, and Weste (Pet. App. 160a), the reference not introduced in this case, might also support an obviousness conclusion, but the Court did not reach that issue in light of its holding on Gorai and Weste. *See supra* pp. 7-8. Hitachi expressly abandoned the Tosser reference relied upon by the Board, explaining to the district court that "[w]e just need to take out Tosser" from the list of prior art the jury was to consider and from the jury instructions, perhaps because its own expert took a different position than the Board on the relevance of Tosser.

matter of law on *either* of the obviousness grounds relied upon by the Board in the Reexamination Case. Hitachi instead sought judgment as a matter of law based on an argument that the patent was anticipated by Gorai and other prior art, but not Weste or Tosser. (*See* Pet. App. 23a-26a, 107a-25a.) Similarly, in seeking a new trial, Hitachi did not make the obviousness argument predicated upon Gorai and Weste that the Board relied upon. (*See id.* 8a-20a, 33a-34a.)

The Federal Circuit did not even purport to apply the common law standard for judgment as a matter of law set out in Federal Rule of Civil Procedure 50(a), (b). The Federal Circuit's refusal to employ that standard is particularly problematic in light of the fact that Hitachi never set forth the Board's obviousness argument in a motion for judgment as a matter of law or a new trial. *See Unitherm*, 546 U.S. at 402 & n.4 ("[T]his Court has determined that a party may only pursue on appeal a particular avenue of relief under Rule 50(b) . . . when that party has complied with the Rule's filing requirements by requesting *that particular relief below*.") (emphasis added). By deferring to the Board's factual findings and by refusing to examine the jury's factual findings under the JMOL standard, the Federal Circuit has turned the Seventh Amendment on its head.

Setting aside a jury verdict without following "the rules of the common law" violates the Seventh Amendment's "studied purpose to protect [the right of trial by jury] from indirect impairment through possible enlargements of the power of reexamination existing under the common law . . . ." *Redman*, 295

U.S. at 657; *see Plaut* v. *Spendthrift Farm, Inc.*, 514 U.S. 211, 222 n.4 (1995) (noting that the Founders were particularly concerned that "duly enacted laws . . . [were being used to] nullif[y] judgments so that new trials or judicial rulings on the merits could take place"). Under the Seventh Amendment, a reviewing court cannot employ an Executive Branch reexamination proceeding to set aside a jury verdict.

B. The Issue Is Important and Recurring.

The Federal Circuit's decision in this case is part of a troubling pattern of decisions by that court. The Federal Circuit consistently has declined to issue a published opinion explaining whether administrative reexamination proceedings will be given determinative effect over jury fact-finding or whether jury verdicts may be examined only under the JMOL standard.[7] The Federal Circuit's approach has resulted in ad hoc panel decisions of that court and left district judges unsure of whether to invest the resources of the judiciary, juries, and parties in litigation, or enter an extraordinarily lengthy stay because the Federal Circuit ultimately might vacate verdicts and judgments in light of a reexamination

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[7] This Court has granted certiorari to review important issues of law arising from unpublished Federal Circuit decisions. *See Teleflex, Inc.* v. *KSR Int'l Co.*, 119 Fed. Appx. 282 (Fed. Cir. 2005), *cert. granted*, 548 U.S. 902 (2006) (reviewing legal standard for obviousness); *Holmes Group, Inc.* v. *Vornado Air Circulation Sys., Inc.*, 13 Fed. Appx. 961 (Fed. Cir.), *cert. granted*, 534 U.S. 1016 (2001) (reviewing whether Federal Circuit may assert appellate jurisdiction over a case based solely upon a patent law counterclaim).

proceeding. A decision by this Court would greatly conserve judicial resources with respect to the hundreds of cases, like this one, where parties remain unsure whether, after years of litigation, the Federal Circuit will defer to a jury verdict, as required by the Seventh Amendment, or to the Board.

For example, in 1993, the Federal Circuit chided a district court in *Standard Havens Products, Inc.* v. *Gencor Industries, Inc.* for "incorrectly conclud[ing] that the reexamination decision can have no effect on this infringement suit even if the reexamination decision becomes final." 996 F.2d 1236, 1993 WL 172432, at *1 (Fed. Cir. May 21, 1993) (unpublished), *reh'g* en banc *denied* (July 20, 1993). *Standard Havens*, with no analysis, suggested that "contrary to the assumption of the trial court, the reexamination proceeding would control the infringement suit," and that "a final decision of unpatentability means the patent was void *ab initio*" and would preclude damages. *Id.* (quotation marks omitted). That followed an earlier decision by the Federal Circuit in the same case holding that appellate review of a jury trial should proceed despite the Board having found a patent invalid during the pending reexamination, because "the Board's reexamination proceeding considering patentability and the district court's infringement suit considering validity are distinct proceedings, with different records and different standards of proof." *Standard Havens Prods., Inc.* v. *Gencor Indus., Inc.*, 953 F.2d 1360, 1366 n.2 (Fed. Cir. 1991) (citing *Ethicon, Inc.* v. *Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988)).

In 1998, where a PTO examiner had rejected the key claim of a patent as "unpatentable over prior art," another Federal Circuit panel concluded that a patent infringement suit should continue because "[a] claim is not canceled until the Board acts and the Commissioner cancels the claim" by "issu[ing] a certificate canceling the claims." *In re Bingo Card Minder Corp.*, 152 F.3d 941, 1998 WL 130514, at *2 (Fed. Cir. Feb. 25, 1998) (unpublished). Most recently, in the well-known "Blackberry" case, *NTP, Inc.* v. *Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), the Federal Circuit took the opposite approach from its disposition of this case, and ruled on the merits of a jury verdict where "[t]he re-examination process has yet to be completed," *id.* at 1292 n.3.

The Federal Circuit's reexamination of a jury's factual findings places the right of trial by jury at great risk. The Court has said that the Seventh Amendment's Reexamination Clause "is still more important" than the provision for the "right to trial by jury," *Parsons*, 28 U.S. (3 Pet.) at 447, which itself "has always been an object of deep interest and solicitude, and every encroachment upon it has been watched with great jealousy," *id.* at 446. As the Court has explained, "'[m]aintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care.'" *Beacon Theaters, Inc.* v. *Westover*, 359 U.S. 500, 501 (1959) (quoting *Dimick* v. *Schiedt*, 293 U.S. 474, 486

(1935)). The Founders understood the importance of having a trial by jury before live witnesses,[8] yet the Federal Circuit made no effort to explain why the historical role of the jury should be vacated in favor of deference to an Executive determination made upon a different paper record.

Protection of this fundamental right has particular significance in patent litigation: "No more important nor contentious an issue arises in patent law jurisprudence than the appropriate role of juries in patent litigation." *In re Lockwood*, 50 F.3d at 980-81 (1995) (Nies, J., dissenting from denial of rehearing *en banc*). This court should grant certiorari to prevent the Federal Circuit from undermining the right of trial by jury through reexaminations of juries' factual findings.

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[8] *See, e.g., Poller* v. *CBS, Inc.*, 368 U.S. 464, 473 (1962) ("Trial by affidavit is no substitute for trial by jury which so long has been the hallmark of even handed justice.") (quotation marks and citation omitted); *Adickes* v. *S. H. Kress & Co.*, 398 U.S. 144, 176 (1970) (Black, J., concurring in the judgment) ("The right to confront, cross-examine and impeach adverse witnesses is one of the most fundamental rights sought to be preserved by the Seventh Amendment provision for jury trials in civil cases. The advantages of trial before a live jury with live witnesses, and all the possibilities of considering the human factors, should not be eliminated by substituting trial by affidavit and the sterile bareness of summary judgment.").

II. The Federal Circuit Impermissibly Construed the Patent Reexamination Statutes as Applying Retroactively to Nullify Patents Found Valid by Juries and Courts.

In light of the serious Seventh Amendment concerns the Federal Circuit's approach raises, *see supra* pp. 9-19, the Court should grant certiorari on whether the Patent Act authorizes retroactive application of patent reexamination proceedings—even after a jury verdict finding the patent to be valid and finding induced infringement. Interpreting the Patent Act to allow only prospective application of a reexamination certificate would accord with this Court's "established practice of interpreting statutes to avoid constitutional difficulties." *Office of Senator Mark Dayton* v. *Hanson*, 127 S.Ct. 2018, 2021 (2007).

As discussed *supra* pp. 3-4, parties accused of infringement in litigation often invoke a statutory administrative process in which they ask the PTO to reexamine a patent-in-suit's validity. *See* 35 U.S.C. §§ 301-07 (the "Reexamination Statutes"); *see also id.* §§ 311-18. After administrative proceedings are complete, and after "the time for appeal has expired or any appeal proceeding has terminated," *id.* § 307(a), the Director of the PTO "will issue and publish a certificate *canceling* any claim of the patent finally determined to be unpatentable," *id.* (emphasis added).

The statute's use of the word "cancel" is decisive. To "cancel" something means "[t]o *destroy* a written instrument by defacing or obliterating it" or "[t]o *terminate* a promise, obligation, or right <the parties canceled the contract>." *Black's Law Dictionary* 218 (8th ed. 2004) (emphases added). Thus, canceling a contract leaves it without future effect, but does not void the contract from its inception. Canceling a subscription terminates the parties' agreement going forward, but does not make the subscription a nullity from the beginning. Canceling a driver's license prohibits driving in the future, but does not revoke the license from the time of its issuance.[9] Likewise, the Reexamination Statutes purport neither to allow existing judgments of validity and infringement to be vacated nor to set aside a patentee's vested past property right retroactively.

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[9] *See, e.g.*, *Howard Delivery Serv., Inc.* v. *Zurich Am. Ins. Co.*, 547 U.S. 651, 666 (2006) (noting that "cancellation [of a workers' compensation policy] relieves the insurer from responsibility for future injuries," but does not end "the obligation to continue paying benefits for enduring maladies or disabilities"); *Nolde Bros., Inc.* v. *AFL-CIO*, 430 U.S. 243, 247, 255 (1977) (holding that where a contract had been "canceled" and thus "terminated," the dispute arising after cancellation was still subject to the contract's arbitration clause); *Townsend* v. *Swank*, 404 U.S. 282, 284 n.2 (1971) (noting that a petitioner's welfare benefits had been "canceled" as of January 1967, which meant that the benefits had been "terminat[ed]" prospectively); *United States* v. *93.970 Acres of Land*, 360 U.S. 328, 329 (1959) (describing a lease authorizing the lessee to issue a "notice of cancellation," which would result in "termination" of the lease 60 days in the future, without any retroactive effect); *Poafpybitty* v. *Skelly Oil Co.*, 390 U.S. 365, 375 n.12 (1968) (describing a similar "cancellation" provision).

The statute's use of the term "cancel" is especially significant given the Court's decision in *Moffitt* v. *Garr*, 66 U.S. (1 Black) 273 (1861). In *Moffitt*, the Court addressed whether a patentee could maintain an infringement suit where he had surrendered his patent "since the commencement of the suit." *Id.* at 282. The Court held that a surrender of the patent "is a legal cancellation of it, and hence can no more be the foundation for the assertion of a right *after* the surrender, than could an act of Congress which has been repealed." *Id.* at 283 (emphasis added). Although the "cancellation" prevented the plaintiff from enforcing the patent prospectively, the Court explained that "[t]he antecedent suit[] depend[s] upon the patent existing at the time [the suit] w[as] commenced, and unless it exists, and is in force *at the time of trial and judgment*, the suit[] fail[s]." *Id.* (emphasis added). Once a judgment had been rendered after a trial, however, "[i]t is a mistake to suppose, that, upon this construction, moneys recovered on judgments in suits . . . might be recovered back. The title to these moneys does not depend upon the patent, but upon the . . . judgment of the court." *Id.*

The PTO's regulations and practices further support the conclusion that 35 U.S.C. § 307 is prospective in application only. The PTO's regulations provide that when a reexamination is completed, the Director of the PTO will publish a certificate "setting forth . . . the content of the patent *following* the ex parte reexamination proceeding." 37 C.F.R. § 1.570(a) (emphasis added). This language makes sense only if the content of a patent prior to a reexamination and post-reexamination are distinct.

The content of the patent pre-cancellation remains the same as the issued patent and carries the same vested rights.

The Federal Circuit's interpretation of § 307(a) to allow retroactive application of a certificate of cancellation not only ignores the plain meaning of § 307(a), as well as the PTO's regulations, but also violates the "presumption against retroactivity" that this Court applies with respect to both congressional acts and agency regulations. *Landgraf* v. *USI Film Prods.*, 511 U.S. 244, 272 (1994). That presumption "accords with widely held intuitions about how statutes ordinarily operate" and thus "will generally coincide with legislative and public expectations." *Id.* Thus, "congressional enactments and administrative rules will not be construed to have retroactive effect unless their language *requires* this result." *Bowen* v. *Geo. Univ. Hosp.*, 488 U.S. 204, 208 (1988) (emphasis added). If Congress intended for existing jury verdicts and judgments of infringement to be set aside based upon an administrative reexamination, it would have drafted the Reexamination Statutes to provide for such a result. It is therefore improper to import into § 307(a), as the Federal Circuit has done, a provision that a certificate of cancellation can be retroactive and be used to reexamine existing jury verdicts.

The Federal Circuit's failure to heed the presumption against retroactivity is especially significant here given the property rights at stake. "[A]ntiretroactivity concerns are most pressing in cases involving 'new provisions affecting contractual or property rights, matters in which predictability and stability are of prime importance.'" *Republic of*

Austria v. *Altmann*, 541 U.S. 677, 693 (2004) (quoting *Landgraf*, 511 U.S. at 271). Thus, "[s]ince the early days of t[he Supreme] Court, [the Court] h[as] declined to give retroactive effect to statutes burdening private rights unless Congress ha[s] made clear its intent." *Landgraf*, 511 U.S. at 270.

It is well established that patents are a form of private property. Federal law provides that "patents shall have the attributes of personal property." 35 U.S.C. § 261; *see also eBay Inc.* v. *MercExchange, LLC*, 126 S. Ct. 1837, 1840 (2006) (quoting same). Indeed, "[a] patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions." *Consol. Fruit-Jar Co.* v. *Wright*, 94 U.S. 92, 96 (1876). The presumption against retroactivity therefore should have been especially strong here.

The Federal Circuit's application of § 307(a) creates several constitutional problems that could be avoided with a proper construction of the statute. *See Dayton*, 127 S.Ct. at 2021. Interpreting § 307(a) and the Reexamination Statutes to allow for the retroactive nullification of a patentee's judgment by an administrative agency would likely run afoul of the Due Process Clause, which "protects the interests in fair notice and repose that may be compromised by retroactive legislation." *Landgraf*, 511 U.S. at 266. Allowing the Federal Circuit to apply administrative reexamination decisions retroactively, as a basis for setting aside jury verdicts, would also raise serious questions under the Seventh Amendment, as discussed *supra* pp. 9-19.

The presumption against retroactivity stems from the desire to avoid the "possibility that trials completed before [a retroactive] enactment would need to be retried." *Landgraf*, 511 U.S. at 258-59. Here, the Federal Circuit's decision to apply an administrative reexamination determination retroactively created the very constitutional concerns that this Court's antiretroactivity doctrine was intended to prevent. Absent a clear showing to the contrary, Congress cannot be presumed to have provided for the Reexamination Statutes to allow for the unconstitutional reexamination of a jury's verdict.

III. The Federal Circuit's Decision Should Be Vacated in Light of the Appointments Clause Error and the Federal Circuit's Sole Reliance Upon *Dudas*.

As Translogic's petition in *Dudas* explains, one of the three PTO patent judges who rejected Petitioner's patent was appointed by the Director of the PTO pursuant to a statute that took effect in March 2000. *See* Petition for Writ of Certiorari at 6-12, *Translogic Technology, Inc.* v. *Dudas*, No. 07-1303 (Apr. 16, 2008). That statute is unconstitutional.[10]

The Appointments Clause authorizes Congress to vest the appointment of inferior Officers only in

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[10] *See* John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, GWU Legal Studies Research Paper No. 419 (July 14, 2008), *available at* http://ssrn.com/abstract=1128311.

the President, the Courts of Law, or the Heads of Departments. *See* U.S. CONST., art. II, § 2, cl. 2. "Any appointee exercising significant authority pursuant to the laws of the United States is an Officer of the United States, and must, therefore, be appointed in the manner prescribed by § 2, cl. 2, of Article II." *Freytag* v. *Comm'r of Internal Revenue*, 501 U.S. 868, 881 (1991) (quoting *Buckley* v. *Valeo*, 424 U.S. 1, 126 (1976)) (alterations omitted). PTO patent judges exercise significant authority, and thus must be appointed pursuant to the Appointments Clause.

The Director is neither the President nor the Head of a Department, and the PTO is not a Court of Law. *See* Petition for Writ of Certiorari at 7-12, *Dudas* (No. 07-1303). Because at least one member deciding Petitioner's case was not duly appointed, *see id.*, the Board's decision, the Federal Circuit's decision in *Dudas* relying on the Board's decision, and the Federal Circuit's decision in this case "[i]n light of" the Reexamination Case (Pet. App. 4a) must be vacated.[11]

If this Court grants the petition in *Dudas* and later rules for Petitioner on the merits, the Court should grant the petition in this case, vacate the Federal Circuit's decision, and remand for further proceedings in light of *Dudas*. That approach would

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[11] As discussed in petitioner's reply brief in *Dudas*, Congress has enacted a new statute in response to the petition in *Dudas*, but that statute does not cure the constitutional error in this case. *See* Reply Brief for Petitioner at 11-12, *Dudas*, No. 07-1303 (Aug. 7, 2008).

be consistent with the Patent Act, which provides that patent claims may be canceled in reexamination by the Director of the PTO only "when the time for appeal has expired or any appeal proceeding has terminated." 35 U.S.C. § 307(a).

If the Court denies the *Dudas* petition, or grants the *Dudas* petition but rules against Petitioner, it should grant this petition to nonetheless hear the compelling issues presented by this case.

CONCLUSION

The petition for a writ of certiorari should be granted.

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AUGUST 2008